

Message Text

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ACTION EA-13

INFO OCT-01 ISO-00 SS-20 INR-10 SP-01 EB-03 L-02 DRC-01

RSC-01 SSO-00 INRE-00 /052 W
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FOR HUMMEL AND ALDRICH

E.O. 11652: GDS

TAGS: EGEN, RP, US, ETRD

SUBJECT: ECONOMIC NEGOTIATIONS

REF: A. MANILA 6197

B. STATE 110811

1. I HAVE SENT IN REF A PRELIMINARY COMMENT ON PARAS 1 TO 6 OF REF B CONCERNING PREPAREDNESS TO DISCUSS TRADE ISSUES WITH THE FILIPINOS AND THE RELATIONSHIP OF CONSULTATIONS ON THE HILL TO THE PROGRESS OF THE TRA. IN THE PARAGRAPHS BELOW WE ADDRESS YOUR REQUESTS IN PARA 7 REF B FOR (A) AN APPRAISAL OF THE EFFECTS OF U.S. INABILITY TO INCLUDE TRADE ISSUES IN JUNE NEGOTIATIONS AND (B) OUR ESTIMATES OF POLITICAL/MILITARY, ECONOMIC AND COMMERCIAL BENEFITS FROM SUCH NEGOTIATIONS.

2. AS I HAVE INDICATED IN VARIOUS EARLIER MESSAGES, WE HAVE BEEN ATTEMPTING TO KEEP A STEADY AND VISIBLE PRESSURE ON PRESIDENT MARCOS AND ON HIS CABINET TO GET THEIR HOMEWORK DONE, THE DECREES WRITTEN, AND THEIR COUNTER-DRAFTING PROPOSALS ON THE ECONOMIC TREATY FRONT DEVELOPED AND MOVED

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THROUGH THE PHILIPPINE BUREAUCRACY AT THE MOST RAPID

FEASIBLE PACE. THERE ARE DIFFERENCES OF VIEW IN THE CABINET AND AT LOWER LEVELS ON WHAT THE FINAL SHAPE OF THE TREATY RELATIONSHIP WITH US SHOULD BE. THERE ARE ALSO CRUCIAL MEMBERS OF THE CABINET, NOTABLE FIN SEC VIRATA, WHO RESIST STRENUOUSLY ANY PREMATURE EXPOSURE OF PHILIPPINE INTENTIONS, AND WHO THEREFORE HAVE VIGOROUSLY OPPOSED EITHER PROCEEDING WITH NEGOTIATIONS OR MAKING ANY CONCESSIONS OF VALUE, SUCH AS THE LAND PROCLAMATION, WHILE THE U.S. REMAINS UNABLE TO SHOW ITS HAND DUE TO THE LACK OF TRADE NEGOTIATION AUTHORITY. I CONSIDER THAT MARCOS HAS ACCOMPLISHED A GREAT DEAL BY BRINGING HIS CABINET TO THE POINT AT THE LEAST OF ACQUIESCENCE IN ISSUE OF THE LAND PROCLAMATION AND OF THE DECREE ON PRIVATE LAND LEASES. IN THE LIGHT OF THAT ACTION AND OF MISGIVINGS KNOWN TO EXIST IN THE CABINET ABOUT U.S. TRADE NEGOTIATING AUTHORITY, WE CAN EXPECT A MUCH STIFFER NEGOTIATING RESPONSE ON THE PHILIPPINE SIDE WHEN NEXT WE MEET. THE BEST MEDICINE FOR THIS, PARTICULARLY RESPECTING VIRATA, WILL BE OUR ABILITY TO ELUCIDATE THE TRADE ITEMS OF CONCERN TO THE FILIPINOS. IN SHORT, I THINK THE MOST CRITICAL EFFECT OF ANY U.S. INABILITY SERIOUSLY TO DISCUSS THE TRADE ISSUES WITH THE PHILIPPINE PANEL WHEN WE MEET IN JUNE WILL BE TO LIMIT, PERHAPS SEVERELY, PRESIDENT MARCOS' ROOM TO MANEUVER IN HIS DEALINGS WITH HIS OWN CABINET ON THE MATTERS OF INTEREST TO US IN THESE NEGOTIATIONS.

3. PRESIDENT MARCOS LONG HAS LOOKED UPON ALL FACETS OF THE ECONOMIC AND MILITARY NEGOTIATIONS PENDING BETWEEN US AS PARTS OF A PACKAGE. HE CONTINUES TO WEIGH ALL THE ELEMENTS AGAINST EACH OTHER. WE HAVE SEEN A USEFUL ILLUSTRATION OF THIS IN THE PRESIDENT'S EVIDENT USE OF THE FAVORABLE PUBLICITY GENERATED BY SIGNATURE OF THE M-16 RIFLE PLANT PROJECT TO SUPPORT HIS ANNOUNCEMENT OF THE PROCLAMATION ON LAND. WHILE WE DO NOT ACCEPT HIS PACKAGE CONCEPT IN ANY LITERAL SENSE, WE HAVE KEPT OURSELVES FLEXIBLE ON POSSIBILITIES FOR CROSS-TRADING, WHERE THESE MIGHT BE ADVANTAGEOUS TO US. THE FOLLOWING STRESSES A COMPARABLE RANGE IF NOT A SIMILAR PACKAGE OF INTERESTS.

4. IN MILITARY TERMS I SEE NO DOUBT THAT THE IMPORTANCE OF
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OUR FRIENDSHIP WITH THE FILIPINOS AND OF OUR BASES IN THE PHILIPPINES WILL CONTINUE TO GROW. WHILE A CLOCK NO DOUBT IS RUNNING ON OUR ENJOYMENT OF THESE FACILITIES, AS INDEED IS THE CASE IN MUCH OF THE ASIAN PERIMETER, THE CLOCK IS SLOWER, THE TIMETABLE LONGER AND THE POTENTIAL BENEFIT THUS CORRESPONDINGLY GREATER IF WE KEEP A CLIMATE IN WHICH MARCOS WILL BE POLITICALLY FREE TO EXTEND THE RIGHTS WE NOW ENJOY.

5. IN ECONOMIC AND COMMERCIAL TERMS WE ARE SEEKING TO ACCOMPLISH THROUGH NEGOTIATION THREE MAIN OBJECTIVES. FIRST, WE WISH TO RETAIN AND TO EXPAND THE OPPORTUNITIES FOR A LONG ESTABLISHED AND PROFITABLE TRADE. IN A WORLD FORESEEABLY SHORT OF PRIME COMMODITIES, THIS IS OF STRATEGIC IMPORTANCE FOR US TO MAINTAIN. SECOND, WE HAVE MORE THAN A BILLION DOLLARS IN ESTABLISHED INVESTMENT HERE. THE TERMS AND CONDITIONS UNDER WHICH THESE INVESTORS OPERATE WE WOULD SEEK TO ALTER AS LITTLE AS IS SENSIBLE TO MEET PHILIPPINE REQUIREMENTS FOLLOWING THE END OF LAUREL-LANGLEY. THEREBY WE HOPE TO KEEP THE PHILIPPINES AS OPEN AS POSSIBLE TO NEW U.S. INVESTMENT OPPORTUNITY. THIRD, WE HOPE IN ESTABLISHING AND CEMENTING STRONG AND DURABLE ECONOMIC/COMMERCIAL RELATIONSHIPS HERE TO HELP OFFSET AND TO LIMIT THE ECONOMIC/COMMERCIAL PENETRATION OF OTHERS, PARTICULARLY JAPAN.

6. IT IS DIFFICULT, POSSIBLY NOT EVEN PURPOSEFUL, TO ATTEMPT TO SEPARATE THIS NEXUS OF RELATIONSHIPS INTO DISCRETE CATEGORIES. THERE IS NO DOUBT THAT OUR DEEP AND HISTORICAL ECONOMIC AND COMMERCIAL PRESENCE IS A FACTOR IN OUR POLITICAL ACCEPTANCE AND IN THE CLIMATE, THEREFORE, FOR CONTINUED ENJOYMENT OF OUR INTERESTS UNDER THE MILITARY BASES AGREEMENT. I THINK THAT IF WE WERE TO MATERIALLY DIMINISH OUR ECONOMIC AND COMMERCIAL PRESENCE, OUR MILITARY BASES WOULD BE CORRESPONDINGLY EXPOSED TO GREATER AND MORE FREQUENT CRITICISM AND ATTACK.

7. THE SUM OF THESE THOUGHTS IS THAT WE HAVE AN URGENT NEED TO MOVE TOWARD NEW ECONOMIC AND COMMERCIAL AGREEMENTS TO SUPPORT THE GENERAL NATURE OF OUR TIES HERE AND TO NAIL DOWN THE SPECIFIC ECONOMIC AND COMMERCIAL CONDITIONS WE WANT FOR THE FUTURE.

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, AGREEMENT DRAFT, CUSTOMS DUTIES, NEGOTIATIONS, TRADE AGREEMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 29 MAY 1974
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974MANILA06311
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740134-0618
From: MANILA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740511/aaaaajfz.tel
Line Count: 155
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: SECRET
Original Handling Restrictions: STADIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: STADIS
Reference: A. MANILA 6197
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 07 AUG 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <07-Aug-2002 by worrelsw>; APPROVED <24 MAR 2003 by GolinoFR>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ECONOMIC NEGOTIATIONS
TAGS: EGEN, ETRD, RP, US
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005